

Highlights

After reaching some of the highest values in nearly a decade during the first week of March, world crude oil prices declined significantly through the remainder of the month. A combination of factors drove prices for key streams to their long-term highs. The most influential involved uncertainty about production rates following the expiration of Organization of Petroleum Exporting Countries (OPEC) output cuts agreements at the end of the month, production disruptions in Nigeria and Norway, and market sensitivity to continuing low stock levels. However, prices started to decline as reports began to emerge indicating Iran would unofficially agree to increase production in April. Additionally, an end to the Nigerian oil workers strike, increased Norwegian wellhead production following a period of bad weather, and reports showing a rise in crude oil stocks in the United States encouraged price declines. At the close of the month, nine OPEC members officially agreed during the group's quarterly meeting in Vienna, Austria to raise production by 1.45 million barrels per day beginning April 1, 2000. Iran and Iraq were not officially part of this agreement. However, Iran informally agreed to increase production, making the group's total output climb by 1.72 million barrels per day.

Price trends for crude oil and finished products in the United States were varied during March. While crude oil prices underwent pronounced declines after reaching long-term highs early in the month, prices for finished products were more unsettled. Concern about low gasoline stock levels and whether producers would be able to build them up in time for the coming driving season affected prices throughout the country. Market uneasiness over low inventories was exacerbated

by the approaching switch from winter-specification gasoline to summer-specification product. The ability of producers to meet that need in addition to producing enough product complying with federal Phase II reformulated gasoline standards concerned market players in light of refinery problems across the country. In particular, refinery troubles and low inventories on the West Coast led to allocations on gasoline liftings at terminals in addition to soaring prices. The Los Angeles spot market price for CARB-grade regular gasoline reached as high as \$1.35 per gallon. However, by the second half of the month, prices in all regions began to fall as many of the issues that caused them to rise began to abate. Crude oil prices receded as information emerged suggesting that OPEC output restrictions would change as early as April 1. With crude oil prices leading the way, finished product prices generally followed suit with additional

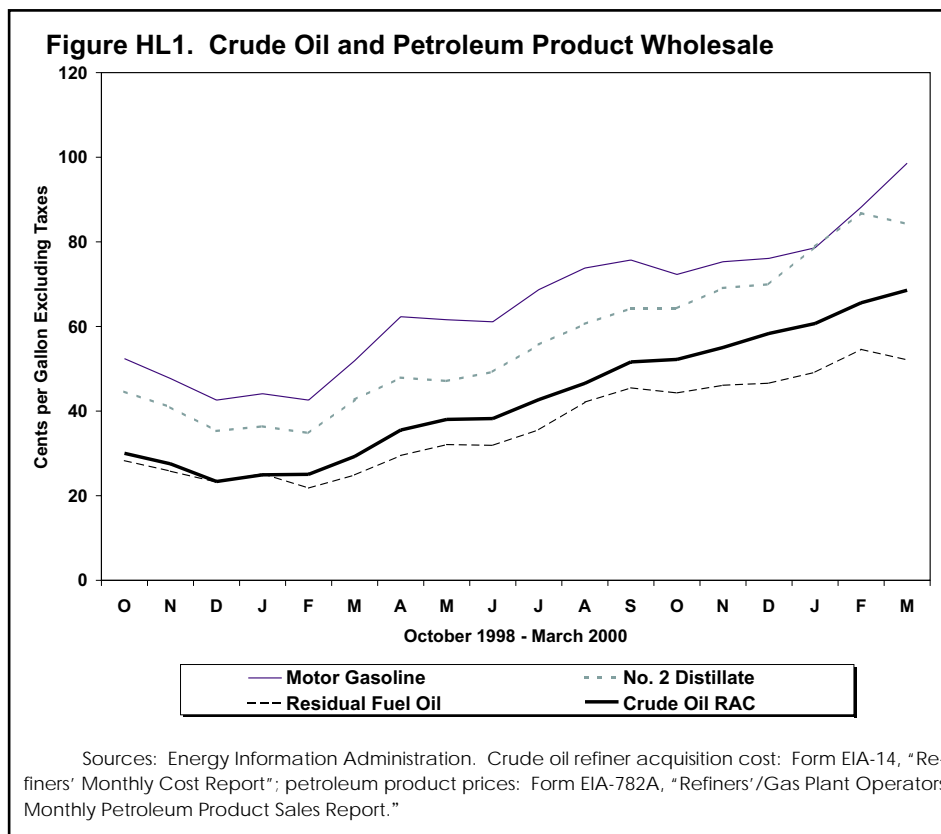


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	March 2000		February 2000		March 1999		March 2000		February 2000		March 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	113.0	61.5	98.7	59.8	65.1	63.6	98.6	297.3	88.2	295.9	51.9	304.2
Conventional	109.7	36.8	97.7	34.5	60.9	38.5	94.8	194.3	86.8	192.3	48.0	203.0
Regular	106.5	27.7	94.5	25.3	56.8	26.4	93.3	159.0	85.2	152.3	45.9	153.8
Midgrade	116.5	5.2	103.7	5.2	66.3	6.2	99.5	13.0	90.9	13.7	52.0	15.7
Premium	123.6	3.8	109.9	4.0	73.4	5.9	103.4	22.3	94.0	26.3	56.1	33.5
Oxygenated	116.0	2.4	102.4	3.5	71.1	2.9	107.1	8.8	94.0	11.6	60.1	9.2
Regular	113.8	2.0	99.3	2.7	67.8	2.2	105.9	7.0	92.3	8.8	58.1	6.6
Midgrade	123.1	0.2	108.7	0.5	77.2	0.4	106.0	1.0	95.8	1.4	60.7	1.3
Premium	132.8	0.2	118.4	0.3	87.7	0.3	118.8	0.8	102.6	1.4	70.0	1.3
Reformulated	118.2	22.4	99.6	21.8	71.7	22.2	105.7	94.2	90.4	92.0	59.5	92.0
Regular	114.8	16.3	95.5	15.2	67.5	14.6	103.1	69.5	87.7	64.5	56.4	61.8
Midgrade	124.3	3.3	105.5	3.5	76.9	3.8	111.1	8.8	94.2	9.5	63.9	10.1
Premium	131.1	2.8	113.3	3.1	82.9	3.8	114.0	15.9	98.2	18.0	66.7	20.2
Aviation Gasoline	133.8	0.1	123.8	0.1	89.7	0.1	130.6	0.6	118.9	0.5	86.8	0.6
Kerosene-Type Jet Fuel	84.9	47.3	82.7	46.3	39.4	47.9	84.0	17.5	83.6	16.9	39.3	12.1
Propane (Consumer Grade)	64.4	3.2	72.9	3.9	41.1	4.4	53.0	31.6	60.3	38.3	26.9	36.4
Kerosene	103.2	0.2	126.2	0.3	50.4	0.4	83.5	2.0	103.0	3.3	43.9	2.6
No. 1 Distillate	95.7	0.3	93.1	0.5	NA	NA	94.7	0.7	94.2	2.4	49.1	1.3
No. 2 Distillate	89.8	25.2	89.5	25.5	46.0	25.4	84.2	125.5	86.8	121.6	42.7	129.1
No. 2 Fuel Oil	85.9	2.6	94.9	3.1	46.0	3.7	79.6	24.7	91.8	29.6	39.7	31.1
No. 2 Diesel Fuel	90.2	22.6	88.8	22.4	46.0	21.7	85.3	100.9	85.2	92.0	43.6	97.9
Low Sulfur	92.7	15.8	92.1	15.1	48.3	14.5	85.8	88.5	85.7	79.6	44.3	83.8
High Sulfur	84.5	6.8	82.0	7.2	41.2	7.2	81.5	12.4	82.2	12.4	40.0	14.1
No. 4 Fuel^a	70.0	0.3	84.7	0.5	40.2	0.4	71.8	0.2	80.8	0.3	32.6	0.3
Residual Fuel Oil	57.3	13.0	57.5	14.5	27.5	14.7	52.1	8.7	54.6	11.0	24.9	11.3
Sulfur Content not > 1 %	64.5	2.8	67.3	4.2	31.4	4.1	55.5	2.8	61.1	5.3	27.2	3.2
Sulfur Content > 1 %	55.3	10.2	53.6	10.3	26.0	10.6	50.4	5.9	48.6	5.7	23.9	8.0

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners/Gas Plant Operators' Monthly Petroleum Product Sales Report."

downward pressure resulting from rising refinery use and the accompanying increase in finished product production and stockpiles.

Additional March market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma experienced dramatic changes during March. Opening at \$30.57 per barrel, the price reached the month's high of \$33.90 on March 7, the highest price seen since late 1990. Following a

downward path during the rest of the month, the price reached the low of \$26.36 per barrel on March 29, a decline of more than \$7.50 per barrel from its high point a few weeks earlier. The price closed at \$26.86 per barrel, \$3.71 per barrel lower than where it started March.

- Monthly average crude oil prices display increases in most sales categories. The average domestic crude oil first purchase price rose 71 cents (2.8 percent), to \$26.19 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined 77 cents (2.9 percent), to \$25.75 per barrel. The average landed cost of foreign crude oil increased 23 cents (0.8 percent), to \$27.35 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$1.45 (5.2 percent), to \$29.25 per

barrel, while the average cost of imported crude oil to U.S. refiners rose 31 cents (1.1 percent), to \$27.70 per barrel. The composite refiner acquisition cost for crude oil climbed 73 cents (2.6 percent), to \$28.28 per barrel.

Petroleum Products

Motor Gasoline

At New York Harbor, the daily spot price for regular gasoline was mainly affected by concerns about stock levels and production rates. The month's high was marked immediately, with the price reaching 98.6 cents per gallon on March 1. The new long-term high was prompted by reports of refinery outages and growing concern over low stock levels of product. After several weeks the price eased to the low of 80.5 cents per gallon on March 20. The price experienced a short-lived increase in level before dropping back and closing March at 81.6 cents per gallon.

- National average gasoline prices for March show dramatic increases in all sales categories. The average price for retail sales of motor gasoline by refiners jumped 14.3 cents to \$1.130 per gallon, while the average wholesale price leaped 10.4 cents to 98.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets climbed 13.0 cents to \$1.120 per gallon. The average wholesale price rose 9.8 cents to 98.5 cents per gallon. The average dealer tank wagon (DTW) price increased 13.6 cents to \$1.073 per gallon, while the average rack price rose 8.3 cents to 96.0 cents per gallon. The average price for bulk sales increased 8.5 cents to 88.4 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 7.8 cents at retail and 9.4 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 7.8 cents at retail and 11.3 cents at wholesale.
- Gasoline sales by refiners show marginal increases in most categories during March. Total sales rose 3.1 million gallons per day (0.9 percent), to an average of 358.8 million gallons per day. Retail sales show the largest increase, rising 1.7 million gallons per day (2.8 percent). Wholesales rose 1.4 million gallons per day (0.5 percent). Rack sales accounted for 64.9 percent of wholesales, while DTW and bulk sales made up 23.5 percent and 11.5 percent, respectively. Re-

formulated gasoline (RFG) formed 32.5 percent of total motor gasoline sales, while oxygenated accounted for 3.1 percent.

No. 2 Distillate

In comparison to the past few months, the daily spot price for No. 2 heating oil at New York Harbor followed a relatively quiet and mostly unremarkable path during March. The lack of turbulence was due to a combination of falling demand, replenished stocks, and milder temperatures in key markets. As a result, much of the price's movement was driven by other product prices within the complex. After opening at 82.0 cents per gallon, the price rose to the month's high of 87.8 cents per gallon on March 7. The price eased during the coming weeks and reached the low of 69.0 cents per gallon on March 20. Closing the month at 78.5 cents per gallon, the price was 3.5 cents lower than where it began March.

- March monthly average No. 2 distillate prices show a wide range of changes. The national average residential price fell dramatically, dropping 17.4 cents to \$1.248 per gallon. The average wholesale price declined 4.2 cents to 84.1 cents per gallon. The average price for No. 2 diesel fuel rose 1.5 cents at company-operated retail outlets, while the average wholesale price fell 0.5 cent. The gap between low- and high-sulfur diesel fuel prices was 4.2 cents at retail and 4.0 cents at wholesale.
- Refiner sales of No. 2 distillates were mixed during March. Total sales of No. 2 distillate climbed 3.7 million gallons (2.5 percent), to 150.8 million gallons per day. Sales of No. 2 fuel oil fell 5.4 million gallons per day (16.5 percent), while sales of No. 2 diesel fuel rose 9.1 million gallons per day (8.0 percent). Low-sulfur diesel fuel made up 84.5 percent of all refiner diesel fuel sales and 69.2 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- During March, the direction of changes to monthly average residual fuel oil prices was split depending on the sulfur content of the product. Refiner prices for low-sulfur residual fuel fell 2.8 cents to 64.5 cents per gallon at retail, and 5.6 cents to 55.5 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail rose 1.7 cents to 55.3 cents per gallon, while the wholesale price increased 1.8 cents to 50.4 cents per gallon. Including data reported by

the sample of residual fuel oil marketers, the average low-sulfur price declined 6.0 cents to 60.7 cents per gallon at retail, and 6.3 cents to 56.6 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 1.8 cents to 55.9 cents per gallon at retail, and 3.1 cents to 51.8 cents per gallon at wholesale.

- Residual fuel oil sales by refiners generally declined in March. Total sales decreased 3.8 million gallons per day (14.9 percent), to 21.7 million gallons per day. Low-sulfur residual fuel sales fell 3.9 million gallons per day (41.1 percent), while high-sulfur residual fuel oil sales rose 100,000 gallons per day (0.6 percent).

Other Products

- The direction of prices for products in this group was mixed during March. Refiner propane prices declined 8.5 cents per gallon at retail, and 7.3 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price barely changed, decreasing 0.7 cent per gallon. The average retail price for propane fell 4.5 cents, while the average wholesale price dropped 7.4 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate rose at both levels. Prices for kerosene and No. 4 distillate declined at both retail and wholesale.
- Refiner sales of these products varied during March. Sales of propane, kerosene, No. 1 distillate, and No. 4 distillate fell at both retail and wholesale. Kerosene-type jet fuel and aviation gasoline sales increased at both levels.

